

Message Text

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R 130515Z FEB 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 7489

INFO AMCONSUL BRISBANE BY POUCH

AMCONSUL MELBOURNE

AMCONSUL PERTH BY POUCH

AMCONSUL SYDNEY

AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE CANBERRA 1117

E.O. 11652: N/A

TAGS: BEXP, AS, NZ

SUBJECT: SYDNEY TRADE CENTER

REF: STATE 028520 (NOTAL), 74 CANBERRA 7673 (NOTAL)

1. THE SYDNEY TRADE CENTER IS IMPORTANT FEATURE OF EMBASSY'S U.S. EXPORT PROMOTION PROGRAM AND WE STRONGLY HOPE COMMERCE WILL REVERSE REPORTED PLAN TO CLOSE IT.

2. DEPARTMENT WILL RECALL THAT IN NOVEMBER 1974, WHEN OMB PROPOSAL RAISED POSSIBILITY OF CLOSING ALL TRADE CENTERS IN DC'S, EMBASSY WAS REQUESTED TO ASSESS POLITICAL AND ECONOMIC IMPACT OF SYDNEY CLOSURE. THIS ASSESSMENT, (CONTAINED IN CANBERRA 7673) REMAINS GENERALLY VALID. THE PRINCIPAL CHANGE IN THE UNDERLYING SITUATION SINCE CANBERRA 7673 IS THAT PROTECTIVE SWING THEN FORESHADOWED HAS MATERIALIZED. IF THIS CHANGE HAS ANY EFFECT ON THE SITUATION, IT IS TO INCREASE THE IMPORTANCE OF STRONG USG SUPPORT FOR AMERICAN EXPORTS.

3. THE FOLLOWING SUPPLMENTS CANBERRA 7673 WITH RESPECT TO THE SPECIFIC QUESTIONS CONTAINED IN STATE 028520: (A) IMPORTANCE OF THE CENTER IN OUR TRADE RELATIONS WITH AUSTRALIA -- THE TRADE CENTER'S WORK IS AN INTEGRAL PART OF

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THE COUNTRY COMMERCIAL PROGRAM, AND CLOSURE OF THE CENTER

WOULD WEAKEN AND REQUIRE SUBSTANTIAL MODIFICATION OF FUTURE CCPS. THE NET EFFECT OF TRADE CENTER OPERATIONS ON THE LEVEL AND COMPOSITION OF U.S. EXPORTS IS NOT QUANTIFIABLE ESPECIALLY IN VIEW OF SPECIAL "MARKET SHARE" APPROACH WHICH CENTER UTILIZED UNTIL RECENTLY. GIVEN THE \$2 BILLION LEVEL OF U.S. EXPORTS, AND THE RELATIONSHIP BETWEEN MANY OF THEM AND THE ACTIVITY OF LOCAL U.S. MANUFACTURING SUBSIDIARIES, OR TO THE LEVEL OF MINING INVESTMENT IN AUSTRALIA, IT WOULD BE NAIVE TO URGE THAT THE ABSENCE OF THE TRADE CENTER WOULD AFFECT OUR EXPORTS ACROSS-THE-BOARD. BUT THE TRADE CENTER'S PROGRAM IS CONCENTRATED IN THE HIGH-GROWTH AREA OF TECHNOLOGICALLY ADVANCED PRODUCTS, WHERE THERE IS ROOM FOR SIGNIFICANT SALES INCREASES THROUGH AGGRESSIVE MARKETING. (EC-U.S. SHARE OF MARKET FOR PRINTING AND GRAPHIC ARTS EQUIPMENT, WHICH TRADE CENTER PROMOTED HEAVILY, ROSE FROM 21 PERCENT IN 1972 FY TO 36 PERCENT IN 1974 FY.) FOR THIS REASON SUSTAINED TRADE CENTER ACTIVITY IS IMPORTANT TO THE LONG-TERM U.S. EXPORT POSITION IN AUSTRALIA. THE SAVINGS TO BE REALIZED FROM CLOSURE OF THE TRADE CENTER APPEAR MODEST IN RELATION TO THE PROBABLE BENEFITS LOST TO U.S. EXPORTS.

(B) ECONOMIC AND POLITICAL CONSEQUENCES OF CLOSURE -- COMMENTS IN PARAGRAPH 2 AND PARAGRAPH 4 OF CANBERRA 7673 ARE STILL VALID. CLOSURE OF THE TRADE CENTER WOULD BE VIEWED WITH VOCIFEROUS REGRET BY THE AMERICAN BUSINESS COMMUNITY, INCLUDING BOTH ACTIVE TRADE CENTER CLIENTS AND THE LARGER BUSINESS COMMUNITY WHICH VIEWS THE TRADE CENTER AS THE MOST TANGIBLE LOCAL EVIDENCE OF SPECIAL USG SUPPORT FOR U.S. BUSINESS. CLOSURE WOULD ALSO BE PORTRAYED AS ANOTHER SIGN THAT US IS NOT RPT NOT INTERESTED IN AUSTRALIA. IN ITS CURRENT PROTECTIONIST STANCE, HOWEVER, THE GOA HAS NO REASON TO OPPOSE A CUTBACK IN U.S. EXPORT EFFORTS IN AUSTRALIA WHILE ITS OWN VIGOROUS CURRENT EFFORT TO PRUNE PUBLIC EXPENDITURE WOULD HELP IT VIEW TRADE CENTER CLOSURE AS BUDGETARY MEASURE.

(C) SAVINGS -- THE TRADE CENTER HAS MADE A DETAILED CALCULATION OF THE DIFFERENTIAL SAVINGS TO BE ACCOMPLISHED BY CLOSING IT DECEMBER 31, 1976. IT IS FORWARDING DETAILED WORKSHEETS TO COMMERCE. IN SUMMARY, THE CALCULATION SHOWS LIMITED OFFICIAL USE

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THAT THE REDUCTION IN EXPENDITURE, AFTER TAKING ACCOUNT OF THE CLOSING-DOWN COSTS, WOULD BE IN THE VICINITY OF \$125-130,000. THIS CALCULATION DOES NOT INCLUDE ANY ALLOWANCE FOR MODEST SALVAGE VALUE OF EQUIPMENT AND FIXTURES.

4. FOR THE REASONS INDICATED ABOVE AND IN CANBERRA 7673, THE EMBASSY DEEPLY HOPES THAT THE PROPOSAL TO CLOSE THE TRADE CENTER WILL BE WITHDRAWN.

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